



Health Services

LOS ANGELES COUNTY

October 2, 2015

Los Angeles County
Board of Supervisors

Hilda L. Solis
First District

Mark Ridley-Thomas
Second District

Sheila Kuehl
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

TO: Mayor Michael D. Antonovich
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: Mitchell H. Katz, M.D.
Director

SUBJECT: **ADVANCE NOTIFICATION OF INTENT TO EXTEND
SOLE SOURCE AGREEMENT WITH EXP
PHARMACEUTICAL SERVICES CORPORATION**

Mitchell H. Katz, M.D.
Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Medical Officer

This is to advise the Board that the Department of Health Services (DHS) intends to request Board approval, within the next two (2) months, to extend an existing sole source agreement with EXP Pharmaceutical Services Corporation (EXP) for the ongoing provision of pharmaceutical reverse distribution services. The current Agreement expires on November 30, 2015.

The recently revised Board Policy No. 5.100 requires written notice of a department's intent to enter into sole source negotiations for extension of a Board-approved agreement at least six months prior to the agreement's expiration date. However, given that the Board recently adopted the revised policy on August 4, 2015, DHS is unable to meet the policy's notification timeframe for this particular extension. In order to ensure no break in services, DHS has begun discussions with EXP regarding the agreement extension.

Background

EXP is a reverse distributor, registered with the Drug Enforcement Agency (DEA), with the ability to dispose of both non-hazardous and hazardous pharmaceutical waste. Los Angeles County pharmacies must order pharmaceutical products in large quantities so as to maintain par levels at all times in order to effectively serve patients. Pharmacies use EXP's services to properly dispose of hazardous pharmaceutical waste, and for pharmaceutical reverse distribution services.

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
Fax: (213) 481-0503

www.dhs.lacounty.gov

To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.



www.dhs.lacounty.gov

In November of 1997, the Board authorized DHS to participate in the University HealthSystem Consortium's (UHC) group purchasing, by which County would achieve cost savings by purchasing medical, surgical, laboratory and pharmaceutical equipment and supplies through UHC's commodity agreements. These agreements were established by Novation, the supply contracting company for UHC.

EXP was selected through the Novation competitive bid solicitation process in 2004. DHS reviewed and analyzed the Novation competitively bid agreement for pharmaceutical reverse distribution services and determined that County would not be able to achieve a better result or cost savings by soliciting for these services on its own.

On December 11, 2012, the Board authorized the Director of DHS to execute a sole source agreement with EXP, effective upon Board approval, through May 31, 2015. The Board also delegated authority to the Director to exercise a month-to-month extension option through May 31, 2016.

Prior to executing Amendment No. 1 to the County Agreement with EXP to extend the term of the Agreement from June 1, 2015 through May 31, 2016, EXP notified DHS that their fees under the Novation Agreement had increased in 2013 when EXP was awarded its current Novation Agreement, and could only honor the current rates in the County Agreement for a six-month period. DHS made every effort to extend the County Agreement at the original rates through May 31, 2016. However, EXP and DHS settled with extending the Agreement for a six-month term at the original rates, after which DHS would return to the Board to approve the rates agreed to with EXP, not to exceed those in their Novation Agreement.

Accordingly, Amendment No. 1 to Agreement No. H-705564 was executed on June 1, 2015, pursuant to the Department's delegated authority, to extend the term of the Agreement through November 30, 2015 with no change in rates.

The Novation Agreement with EXP has been extended through May 31, 2017. Therefore, DHS intends to extend the current Agreement with EXP to be co-terminus with the Novation Agreement extension term, and adjust the rates, if needed.

Justification

EXP is the leading DEA-registered and licensed company providing pharmaceutical reverse distribution services on the West Coast. Approval of this extension will enable DHS to maintain cost savings and to leverage its purchasing power by accessing the Novation Agreement structured prices.

Approval to extend this Agreement will enable County pharmacies to continue processing pharmaceutical returns to manufacturers for redistribution or appropriate disposal in exchange for partial refunds. The only compensation EXP will receive for this service is the percentage withheld from the refunds received from the

pharmaceutical manufacturers. This Agreement does not have any direct cost to the County.

DHS may solicit for this service on its own; however, DHS has determined that it is in the best economic interest of the County (i.e. significant staff time and resources are required to go through the solicitation process) to extend the current Agreement with EXP at this time. Also, this extension is necessary to ensure no break in this vital service for County pharmacies.

Closing

DHS will proceed with submitting the amendment to EXP for approval after two weeks from the date of this memo, unless the Department is instructed otherwise by the Board.

If you have any questions or require additional information, please let me know.

MHK:hs

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors